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ABSTRACT

In May 1983, Pueblo (Colorado) Community College (PCC) established the Myers Center for Small Business to assist entrepreneurs in the operation of existing businesses and the development of new ones. In March 1987, a study was conducted to determine whether the center had met its long-term goals; the number of new businesses started by center clients; the number of full-time and part-time jobs created or directly affected by center assistance; and the long-term survival rate of all businesses which had received center assistance. The study involved telephone surveys of 268 center clients and an analysis of center records. Study findings, based on a 43.6% response rate, included the following: (1) of the 117 respondents, 23 were still considering starting businesses, 32 did not intend to start businesses, 6 had started but then closed their businesses, and 56 were operating businesses; (2) 31 of the businesses were in operation before receiving center assistance and 25 began after receiving assistance; (3) the 56 operating businesses represented a total of 127 full-time and 38 part-time jobs, with 28 firms expecting to hire more employees; (4) the combined local area annual salaries of actual jobs represented by respondents were $2,167,224; (5) the combined survival rate of existing and new small businesses surveyed was 90.3%--360% above the national survival statistic rate; and (6) the center had contributed directly to the creation of 57 new small businesses and to the assistance or survival of 71 existing small businesses. (LAL)

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A FOUR YEAR STUDY

OF THE

MYERS CENTER FOR SMALL BUSINESS

PUEBLO COMMUNITY COLLEGE

APRIL 1987

BY
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JC 870 204

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ABSTRACT

In May of 1983, Pueblo Community College established the Myers Center for Small Business for the purpose of assisting entrepreneurs in the operation of existing businesses and in the development of new businesses. In March of 1987 the institution elected to conduct an historical study based upon data received from its clients. The purpose of the study was to review the major activities of the center to determine:

1) The extent to which the center's 1983 long-term goals had been met;
2) The number of new businesses started by center clients;
3) The number of full-time and part-time jobs created or directly affected by center assistance and the direct economic impact thereof;
4) The long term survival rate of all businesses which received center assistance.

It was concluded that the Myers Center for Small Business had been eminently successful in meeting its 1983 long-term goals and that the assistance to new and existing small business owners was exemplary.

The survival rate of center clients who owned businesses was 360 percent higher than an often-cited national rate. A review of the data indicated that the center, in its four years of operation, had contributed directly to the creation of 57 new small businesses and had contributed to the survival of 71 existing small businesses. These businesses represented a combined work force of 294 full-time and 87 part-time employees with an annual collective job-wage total of $5,009,850. The total annual economic impact of these salaries was $9,518,715.

It was recommended that this college continue the functions of the center, pursue a longitudinal study of the center's activities, share its small business assistance experiences with other community colleges, and utilize the study as leverage for future state funding requests.

I. INTRODUCTION AND BACKGROUND

Pueblo Community College, located in Pueblo, Colorado, established a small business assistance center in May of 1983. This center, dedicated as the Myers Center for Small Business, was created specifically to assist entrepreneurs in the establishment or expansion of small businesses. The economy in the college's three-county service area had been severely affected by over three thousand collective layoffs from the CF & I Steel Corporation, the Alpha-Beta Meat Packing Plant, and the Pueblo Army Depot. Non-seasonally adjusted unemployment in Pueblo County was rated at 18.6 percent and the prospects for economic growth were minimal. The need for more jobs was easily the community's greatest concern, and the college quickly elected to respond to this need by developing Colorado's first small business assistance center of its kind. A technical paper which designed the center's activities was developed, and the leadership of the institution agreed to establish the center with the following purpose:

> It shall be the role and mission of the Center for Small Business to develop and implement all feasible services, activities, and products determined to be useful for the assistance to and furtherance of small business especially in the Pueblo Community College service area. (Zeiss, 1983).

The center's long-term goals were:

1) To provide a system for promoting cooperation between the institution and the small business community in southern Colorado.
2) To develop a system of training services that meets the needs of existing and prospective small business owners regardless of race, sex, or creed.
3) To become a major, financially autonomous, non-profit service center that makes significant contributions to the success of small businesses.

The Myers Center for Small Business was dedicated on May 24, 1983, and has been in continuous operation both in Pueblo and in the smaller city of Canon City since that time. The center's primary activities have included the counseling of clients, (potential or existing small business owners), with start-up procedures, expansion activities, and a myriad of other topics related to the establishment or operation of a business. The typical client is assisted in the development of a comprehensive business plan designed especially to meet the needs and interests of financial lending institutions. The center also has provided numerous seminars on identified area business needs. Each service has been provided at a nominal cost i.e. a twenty-five dollar one-time fee for business plan development and counseling (which is often waived) and fifteen dollars per person for each seminar.

The center was also very active in the development of the Pueblo Business Assistance Network. This informal network of assistance agencies was established for the purpose of providing comprehensive services to small business owners and entrepreneurs. The network consists of four entities:

I. Myers Center for Small Business

II. Pueblo Cooperation Office, Inc.

III. Pueblo Growth Corporation

IV. Pueblo Business and Technology Center

The Pueblo Cooperation Office is a non-profit, volunteer-operated, corporation whose purpose is to provide free professional counseling in specific need areas like manufacturing, production, and accounting. The Pueblo Growth Corporation is a public for profit venture capital corporation designed to fund selected new businesses which do not qualify for bankable deals. The Pueblo Business and Technology Center is a model "incubator" facility designed to provide low cost start-up space and technical assistance to new businesses. Each of the four entities, which make up the Pueblo Business Assistance Network, is operated by separate boards; yet they cooperate completely for the sole objective to help create jobs via small business assistance.

As an example of this cooperative effort, most of the city's bank loan officers, the Chamber of Commerce, and other institutions where business assistance would ordinarily be sought, now automatically refer business start-up inquiries to the Myers Center for Small Business.

The Myers Center for Small Business had been in operation for nearly four years, and the leadership at the college determined that a measurement of the center's activities and successes were in order. An historical study was requested by the College President to accomplish this purpose.

II. DEFINITIONS

Center - Myers Center for Small Business

Client - A person receiving individual counseling from the Myers Center for Small Business

Contact - A person who makes personal contact for assistance from the Center

Small Business - A private for profit business with fewer than 500 employees

Population - During its history, the center counseled 321 clients, however, detailed records were available for only 268 clients. These 268 clients were therefore considered as the population for this study.

III. PURPOSE OF THE STUDY

The purpose of the study was to review the activities of the Myers Center for Small Business to determine:

1) The extent to which the center's 1983 long-term goals had been met;
2) The number of new businesses started by center clients;
3) The number of full-time and part-time jobs created or directly affected by center assistance and the direct economic impact thereof;
4) The long-term survival rate of all businesses which received counseling.

IV. METHODS AND PROCEDURES

To accomplish the purpose of the study, a basic historical research process was utilized. The Myers Center had kept records via the institution's central computer system on all clients. The number of seminar participants had been recorded by the coordinator of the center throughout the period of the center operation. Additional major center activities were also identified by historical records including budget summaries. A comparison of these activities to the 1983 long-term goals was conducted by the researchers. It was determined that a survey instrument (Appendix A) would be developed and validated as a vehicle for gathering data about counseled clients.

A draft survey instrument was developed by the coordinator of the center, and recommendations for refinement were solicited from the President of the college, the Vice President for Instruction, and from the former, original center director. The final instrument used in the survey was comprehensive in nature concerning new business start-ups and the survival rate of all new and existing small businesses which received individual counseling from the center. To insure the most valid and reliable results, it was determined that each client, where records were accurate, who received counseling services would be telephoned for direct questioning from the survey.

The telephone survey of former clients, who had received counseling about their business, was conducted in March, 1987, by four selected student assistants working under the supervision of the center's coordinator. The telephone calls were generally made during the work week in the morning. Clients who could not be reached initially were telephoned a second time during the afternoon to insure a significant response.

To determine the economic impact of jobs created or directly affected by the center, the annual average salaries of the local area were used to calculate direct salaries. The annual collective salaries figure was expanded by a conservative 1.9 percent multiplier to determine the actual impact of the jobs on the local economy.

V. FINDINGS

The center's activities involved primarily those outlined in the technical paper, which served as the foundation for the center's services. That is, the center did serve and was continuing to serve as a significant community resource for the consolidation and delivery of counseling and educational experiences for small business owners and managers and for aspiring entrepreneurs.

In the area of educational services, the center has conducted twenty-two professional development seminars in the city of Pueblo and sixteen seminars in Canon City over the approximate four-year period. Participants attending seminars now total 847. Seminar topics have included the following titles:

The New Tax Laws And Your Business

Building Your Own Advertising

Attitudes And The Bottom Line

Increase Sales And Profit Through Credit

Secrets Of Successful Selling

Developing Communication Skills

Seven Easy Steps To Successful Marketing And Advertising

Goal Setting For Professional Development

How to Get Help From A Bank

The SBA And You

Writing The Business Plan

Each seminar was evaluated by its participants and suggestions for new seminar topics were solicited. Additionally, the center recently arranged for the funding and development of a unique eight-program television series dedicated to meeting the information needs of small businesses throughout southern Colorado. Program subjects will be selected from data derived through a research project involving 7,000 questionnaires mailed to area businesses. The series is designed to be offered to other geographic regions of the country via the Public Broadcasting System and through the sale of video tapes.

A review of the center's historical activities, made it clear that the center had provided a system for promoting cooperation between the institution and the small business community in southern Colorado, principally through its close association with the Pueblo Business Assistance Network. The center had also developed a system of training services, primarily through seminars, that met the needs of existing and prospective small businesses, and the center had demonstrated a significant contribution, via individual counseling, to the success of small businesses. As of March 10, 1987, five hundred fifty-five people had contacted the center about developing a business, expanding a business, or about a specific business problem. Of these 555 contacts, 321 received individual counseling of up to six hours from the center's director.

A basic precept of the center was to keep client costs low and affordable. A review of the current budget summary of the center revealed that the college was subsidizing the center by contributing approximately fifty percent of the center coordinator's time cost free and by contributing a

small portion of a secretary's time. The college has also provided modest sums for advertising when available. However, the center was gaining in income due largely to seminar tuition, the one-time $25 fee for client counseling and through some financial support from a local bank. Basically, the center operates on a break-even basis each year, except for the college's contributions to salaries.

A review and interpretation of the telephone survey data regarding the success of new businesses and the survival rate of new and existing business owners who received counseling was particularly of interest to the college. The study population, 268 clients, was telephoned at various times during the day. Of the 268 clients telephoned, 151 were not questioned because they were not available at the times the phone calls were made, they had moved, or had changed phone numbers. One hundred seventeen clients were reached and did answer the questions. Statistically the response was excellent with a population of 268 and a response rate of 117 or 43.6 percent.

Of the 117 respondents, 23 were still considering starting a business, 32 did not intend to start a business, six started, but closed their business, and 56 respondents were operating businesses. Thirty-one of these were in business before receiving assistance from the center and 25 started their businesses after receiving assistance from the center. Of the 56 respondents who were currently in business, 15 were in retailing, 7 were in manufacturing, 3 were in wholesaling, 27 were in services, 1 was in the food industry, and 3 could not be assigned a category due to incomplete responses.

A third purpose of this study was to determine the number of full-time and part-time jobs created or directly affected by center assistance and the direct economic impact of those jobs. The 56 respondents who were

currently in business represented a total of 127 full-time and 38 (plus) part-time jobs. The part time jobs fluctuated according to peak work periods. Twenty-eight of the 56 in business clients indicated they expected to hire more employees. Four of those intended to hire more employees immediately, four intended to hire employees soon, and 20 were not certain when they would be hiring more employees. The data was imprecise regarding the actual numbers of employees these 28 businesses expected to hire. Eleven clients did respond specifically, representing a new hire expectation of 23 employees, but 17 clients did not know exactly how many new employees they would be hiring.

The effect of these jobs upon the local economy was determined by multiplying the number of full-time jobs times the average local area annual salary, less government employee salaries. The economic effect of part-time jobs was determined by multiplying the number of part-time jobs times 50 percent of the average local area annual salary, less government employee salaries. The average local area annual salary, less government employee salaries was $14,844 (Vest, 1987). The combined full-time, part-time annual wages of actual jobs represented by the respondents was $2,167,224. A conservative 1.9 multiplier, as suggested by Caffery and Issacs, was used to calculate the total economic impact of these wages which amounted to $4,117,726.

A major question of this research was to discover the number of clients who started new businesses and the relative survival rate of new and existing businesses which had received assistance from the Myers Center for Small Business. The data collected from the survey respondents indicated that 47.8 percent of all clients either already owned an existing business or began

a new business after receiving assistance from the center. Of the 117 responding clients, 26.5 percent or 31 were already in business. A rough average of one in every four center clients then had his or her own business in operation at the time of contact with the center. By subtracting those 31 clients from the total number of respondents, a valid success rate of clients who began new businesses was derived. It was concluded that 29 percent of the respondents successfully began new businesses after receiving assistance from the center. Approximately one of every three non-business owner clients then, had started his or her new business.

The average business, according to the survey data, employed 2.3 full-time workers and .68 part-time workers. The survey data also indicated that the number of full-time and part-time jobs per business was expected to increase in the near future.

One intent of the survey was to determine the month and year each business began in an effort to track a precise survivability rate. However, many respondents were vague or did not recall the month that they began their business. It was significant to note, however, that of the 62 client respondents who had started a business before or after receiving assistance from the center, only six were out of business. Business start ups of the respondents covered the years 1976 through 1987. This data represented eleven total years, four of which included the availability of assistance from the Myers Center for Small Business, and a survival rate of 90.3 percent or a failure rate of 9.7 percent. At least one nationally recognized small business expert reputes that 75 percent of all new small businesses fail within the first five years of operation (Arent, 1982).

Not apparent in the data but certainly of significance, is the number of business failures prevented through the center's discouragement of start-ups which seemed to have little chance for success. Certainly some, if not most, of the more than 47 percent of clients who elected not to start businesses were spared the emotional and financial costs of failure in some measure due to the center's input.

VI. SUMMARY, CONCLUSIONS, RECOMMENDATIONS

The purpose of this study was to review the major activities of the Myers Center for Small Business to determine:

1) The extent to which the center's 1983 long term goals had been met;
2) The number of new businesses started by center clients;
3) The number of full-time and part-time jobs created or affected by center assistance and the direct economic impact thereof;
4) The long term survival rate of all businesses which received center assistance.

A review of the major activities of the Myers Center for Small Business was accomplished during March, 1987, after the center had been in operation for approximately four years. By reviewing the long term goals as established in 1983 and comparing them to the center's historical activities, it was clear that the center had achieved or exceeded most of its major long term expectations. These long-term goals were:

1) To provide a system for promoting cooperation between the institution and the small business community in southern Colorado.
2) To develop a system of training services that meets the needs of existing and prospective small business owners regardless of race, sex, or creed.
3) To become a major, financially autonomous, non-profit service center that makes significant contributions to the success of small businesses.

One portion of the third long term goal had not been achieved. The center had not yet become fiscally independent. However, it was observed by college administrators that the residual benefits of community goodwill and increased credit enrollments by center clients in their Business Management instructional programs more than justified the subsidy of the center. It was observed that the center had been very successful in attracting the attention of the local media through press releases on Center programs thereby bringing considerable public recognition to the institution.

During its approximate four-year history, the Myers Center for Small Business had 555 contacts for information of which 321 became clients by receiving some form of individual counseling. A comprehensive telephone survey was completed with 117 respondents representing a 43.6 percent direct sample of the total available population (268). Of the 117 respondents, 23 were still considering starting a business, 32 did not intend to start a business, 56 were operating businesses, and six had started a business, but had closed it. The 56 businesses responding represented 127 full-time and 38 part-time employees. Twenty-eight of these businesses expected to hire additional employees. The combined local area annual salaries of actual jobs represented by respondents was $2,167,224 with an economic impact of $4,117,726. It was recognized that those jobs were either created or directly affected by center assistance.

It was of interest to note that approximately one of every four center clients already had their own business and that approximately one of every three non-business owner clients actually started new businesses. The center appears to be serving a dual counseling role where one group has specific needs related to existing businesses and one group has general needs related to the establishment of a business. Both of these counseling functions appeared to be important to the relative health of the small business community. The combined survival rate of existing and new small businesses surveyed was 90.3 percent. This exceeds the national survival statistic rate by 360 percent (Arent, 1982). However, it should be noted that one half of the responding businesses had been in operation for less than five years. Nonetheless, it was concluded that the influence of the center's assistance to new and existing businesses was positive and significant.

A review of the basic survey data indicated that during its four years of operation, the Myers Center for Small Business had, in all probability, contributed directly to the creation of 57 new small businesses and to the assistance or survival of 71 existing small businesses, with a combined work force of 294 full-time and 87 part-time employees. The direct annual salaries of these jobs amounted to $5,009,850. The total annual economic impact of these salaries was $9,518,715. It was concluded that the Myers Center for Small Business at Pueblo Community College had been eminently successful in meeting its 1983 long term goals and that the activity of assisting new and existing small business owners was exemplary.

It is recommended that:

1) The major activities of the center should continue.
2) A continuous longitudinal study of pertinent center data be accomplished.
3) The college share its small business assistance center experience.
4) This study be utilized particularly in the development of state funding requests for higher education.

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